

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0385-07
Bill No.: Truly Agreed to and Finally Passed SCS for HCS for HB 152 and 180
Subject: Retirement Systems and Benefits - General; Law Enforcement Officers and Agencies
Type: Original
Date: May 22, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement** indicates that this legislation does not represent a “substantial proposed change” in future plan benefits as defined in Section 105.660(5), and, as such, an actuarial cost statement is not required.

Officials with the **Department of Insurance (INS)** assume the proposal has no fiscal impact on their agency.

Officials with the **Kansas City Police Retirement System (KCPRS) and St. Louis Police Retirement System** assume the proposal will have no fiscal impact on their agency.

Educational Seminars

Officials from the **Police Retirement System of Kansas City, City of Kansas City, and Local Government Employees Retirement System** assume the proposed legislation will not fiscally impact their organization.

ASSUMPTION (continued)

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Job-Sharing

Officials from the **Public School Retirement System of Missouri** and the **Non-Teacher Retirement System of Missouri** assume this proposal will have no fiscal impact on the retirement system.

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials from the **Department of Elementary and Secondary Educational** indicated there would be no fiscal impact to their agency; however, local school districts could likely see increased administrative costs. DESE could not estimate to what extent administrative costs would increase. The increase would be contingent upon the level of participation in job-sharing by classroom teachers statewide.

Oversight assumes administrative costs associated with the job-sharing program would not be material, and could be absorbed within existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill makes various changes to public employee retirement systems.

ST. LOUIS POLICE RETIREMENT SYSTEM

The bill makes technical corrections to the Deferred Retirement Option Plan (DROP) for the St. Louis City Police Retirement System.

KANSAS CITY POLICE AND CIVILIAN EMPLOYEES' RETIREMENT SYSTEMS

Concerning the Kansas City Police Retirement System and Civilian Employees' Retirement Systems, the bill:

- (1) Requires benefits and conditions to always be adjusted to qualify for tax-exempt status;
- (2) Requires a member's benefits to be 100% vested and nonforfeitable upon the member's attainment of the normal retirement age;
- (3) Requires the distribution of retirement benefits to begin no later than April 1 of the year following the calendar year during which the member becomes 70 1/2 years of age;
- (4) Prohibits benefits in excess of the limits set by Section 415 of the Internal Revenue Code;
- (5) Limits the total salary taken into account for any purpose for any member to no more than \$200,000 per year, subject to adjustments permitted by the Internal Revenue Code;
- (6) Gives the Retirement Board authority to change actuarial assumptions at any time annually, but a change in actuarial assumptions may not result in any decrease in benefits accrued as of the effective date of the change;
- (7) Allows a member or beneficiary to transfer an eligible rollover distribution to another eligible retirement plan;
- (8) Gives the board authority to provide fiduciary liability insurance;
- (9) Makes other changes to conform with the Internal Revenue Code;
- (10) Changes the requirements for the five elected members of the Kansas City Police Retirement Board;
- (11) Allows members to receive a partial lump-sum option payment;
- (12) Makes the retirement boards state agencies for the purpose of the administrative procedure and review process;

DESCRIPTION (continued)

(13) Requires the Kansas City Police Department to grant authorized leave with pay to active police officers and civilian employees to attend educational seminars and similar functions for a period not to exceed 10 days in any calendar year;

(14) Authorizes the City of Kansas City and the Kansas City Police Department to adopt a program of incentives to encourage early retirement of members and civilian employees, contingent upon the city requesting and agreeing to increase financial contributions to the police retirement system; and

(15) Requires a funeral benefit of \$1,000 to be paid in addition to all other benefits for a civilian employee.

TEACHING PERSONNEL, PUBLIC SCHOOL RETIREMENT SYSTEMS, AND THE NON-TEACHER SCHOOL RETIREMENT SYSTEM

The bill requires the State Board of Education to develop rules to facilitate job-sharing positions for classroom teachers. The bill contains a definition for "job-sharing position" and entitles teachers in these positions to certain employment and retirement benefits.

In addition, the bill makes the following changes to retirement systems in school districts with 300,000 residents or less and the Non-Teacher School Retirement System:

(1) Requires the Board of Trustees for both systems to determine and certify to employers the level rate of contribution and specifies the time period that the rate should be established;

(2) Requires the level rate of contribution for a fiscal year not to exceed the rate of contribution for the prior fiscal year by more than 0.5%. The level rate contribution for the Non-Teacher School Retirement System for a fiscal year will not exceed the rate of contribution for the prior fiscal year by more than 0.25%;

(3) Requires the boards to determine and certify the level rate of contribution for a fiscal year based on actuarial valuation;

(4) Requires the boards to have an actuary conduct an actuarial valuation every 10 years; and

(5) Prohibits legislation from being enacted after July 1, 2003, which provides benefit increases to members and retirees of both systems until the contribution rate is equal to or less than the contribution rate in effect on July 1, 2003.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement

Department of Insurance

Kansas City Police Retirement System

City of Kansas City

Local Government Employees Retirement System

Department of Elementary and Secondary Education

Public School Retirement System

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA

Director

May 22, 2003